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## System of Accounting for a Church

BY JOHN P. ARCHER

Although the financial conduct of any church, be it a lofty cathedral or a lowly shack, is almost entirely the receipt and disbursement of *cash*, yet the transactions in this one particular are various.

Large or small, pretentious or otherwise, all must have funds for their special requirements and the record of these funds must be kept by some member of the congregation appointed by the governing body—a custodian or treasurer.

For the purpose of this article, I shall select, for example, the record of financial transactions of an Episcopal church with a congregation of about seven hundred and fifty persons, the rector, assistant minister, sexton and funeral director, organist and choirmaster with his retinue of soloists, chorismen and boys.

Many of the pews were rented for value in accordance with location and seating accommodation. These rentals and the plate collections (alms) together with the proceeds from an endowment fund, formed the regular sources of income. A few members of the community contributed bountifully for certain specific purposes.

The vestry (governing body, chosen by and representing the parishioners) was composed principally of business men, with two or three professional practitioners, including an accountant. One of the business men was the clerk, whose duty it was to record the minutes of the meetings and performed this duty to the best of his ability but sorely needed the services of a stenographer. Suggestions to this effect were occasionally made but tabooed, for reasons. Another business man was treasurer. He, of course, was the recipient of all moneys collected and the disbursing officer of those due for payment. The accountant, a comparatively new member, slightly nervous and sensitive, was irritated by the manner in which the treasurer's reports were submitted at the monthly meetings; they often led to questioning and quibbling, interspersed with reminiscences, and consumed an endless amount of time: indeed, the reports of committees (building, pew, music, etc.) were frequently curtailed or postponed on this account. Losing patience at last, the accountant expressed an opinion and offered to supply the treasurer with a system of accounting, with-

out any expense to the church, that would be helpful in keeping his records and facilitate the preparation of his reports. After a lengthy discussion, the offer was accepted but there were those of the members who could, or would, not be reconciled to any change, doubting the accomplishment of the promised results.

The system was installed and after a period of a few months, a decided improvement was noticeable in the arrangement and presentation of the reports and there was very little adverse comment. There was ample time, too, for other necessary business.

At one of the later meetings of the vestry, it was moved and seconded that the accountant be appointed assistant treasurer; the resolution was carried unanimously.

At the end of the fiscal year, the accountant proposed that the records be audited by a certified public accountant. He would bear the expense. This proposal was promptly seconded by the treasurer and as promptly accepted by the vestry. Formerly, there had been a little friendly controversy between the accountant and treasurer, also the doubting members; this, evidently, no longer existed.

I was called upon to examine the records, report and certify their correctness.

I was agreeably surprised to find how readily these records admitted of a thorough audit. On previous occasions, I had experienced a great deal of trouble in auditing church accounts (all of the single-entry nature), but here was an outfit, although inexpensive and anything but elaborate, deserving of commendation. The accountant and treasurer, both, had done good work.

The outfit consisted of four sets of cards with the customary ledger ruling, one set white, the other three of different colors, each set provided with an index, and all contained in one cabinet; a journal and the cheque book.

Printed "slips"—somewhat similar to bank deposit slips—recording the amounts of the plate collections for the morning and evening services, with the proper dates entered, were initialled by the assistant minister who supervised the counting whenever possible and in the event of his enforced absence by a trusted appointee. On special occasions—Easter Day, for instance—the assistance of one or more of the vestrymen was requisitioned. Many members of the congregation presented their offerings in duplex envelopes, suitably prepared, one part containing an amount for general expenses, the other a sum for missions or

benevolences. These were really the fulfillment of pledges, a record of which was kept by the rector and a copy supplied to the treasurer. The slips were all in order, carefully filed pending inspection.

A memorandum (or bill) was mailed to each pewholder as a reminder that payment was due and payments were usually made by cheque.

Acknowledgments were shown for payments of salaries. As these payments were all made by cheque, the practice of enclosing blank receipt forms (to be signed and returned) with the cheque, was discontinued later, the cancelled cheques, duly endorsed, being considered sufficient evidence of payment.

The unpaid bills of tradespeople (creditors) were kept in one indexed box file and those paid in another, both plainly labelled.

The cheque book, six cheques to the page and therefore affording plenty of room for explanatory notations or particulars, was the only record of the cash transactions. The receipts were entered in detail opposite the cheques and stubs—names of pewholders, with amounts received from each, listed and extended; the amounts from plate collections transcribed, item for item, from the initialled slips and particulars of the proceeds from the endowment fund from statements, accompanied by cheques, furnished by the trust company. All payments were made by cheque—to tradespeople, officers and members of the choir individually, one cheque in total for the boys, answering to the statement presented and signed by the choirmaster, and one other to the sexton in accord with his signed statement for current incidentals during the month. The necessary details were all expressed on the stubs—services or supplies as per bill of such-and-such a date, salary for the month of so-and-so, etc.

At the end of each month, a summary of the receipts and disbursements was entered in the cheque book such as the following:

<i>Receipts</i>	
Pew rentals.....	\$
Plate collections:	
Morning services.....	\$
Evening       ".....	
Missions.....	
Benevolences.....	_____

# *System of Accounting for a Church*

Endowment fund.....	\$
Donations.....	
Total receipts.....	\$
Balance—first of month.....	
	\$

## *Disbursements*

Salaries:	
Clergy.....	\$
Sexton.....	
Organist and choirmaster.....	
Soloists.....	
Chorusmen.....	
Choristers.....	
Missions.....	\$
Benevolences.....	
Accounts payable.....	
Total disbursements.....	\$
Balance—last of month.....	
	\$

The reconciliation of the cash balances with the bank statements was speedily effected.

In order to render this a double-entry system, three or four comprehensive journal entries were necessary, such as the following:

October 1, 1928

	Dr.	Cr.
(Pink cards)		
Andrew Ayres.....	\$	
Robert Rowe.....		
Martha Martin.....		
To pew rentals (white card).....		\$
To record pew rentals due this date.		

October 31, 1928

(White cards)	
Salaries:	
Clergy.....	\$
Sexton.....	
Organist and choir (ad lib.).....	
To sundries (blue cards):	
Rev. Arthur Andrews.....	\$
Rev. Thomas Thorne.....	
James Jennings.....	
Daniel Dupres.....	
Maud Morris.....	
Lucy Lowndes.....	

*The Journal of Accountancy*

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Henry Holt.....

.....

.....

Choristers.....

To record salaries for the month of October.

(White cards)

Sundries:

Maintenance and repairs..... \$

Lighting and heating.....

Printing, stationery and postage.....

Telephone.....

.....

.....

.....

Incidentals.....

(Yellow cards)

To sundries:

John Jones & Co..... \$

Benj. Brown, Inc.....

George Gray.....

.....

.....

.....

To record nominal accounts and sundry accounts  
payable for the month of October.

All items were then transferred, or posted, to their respective accounts on the four sets of cards (note allusions in parentheses above)—white for the nominal, or impersonal, accounts, pew rentals, offertories, income from endowment fund; salaries (a separate card for each class), the maintenance accounts (separate card for each account) and accounts payable (controlling) account. The other sets, of different colors, were devoted to the personal accounts: (1) to the sundry pewholders, (2) to officers and others in receipt of salaries and (3) to individual creditors (tradespeople).

The cards were suitably inscribed: those for the pewholder with names, addresses, numbers of pews and amounts of rental payable monthly or quarterly; those for the recipients of salaries, with names, addresses, positions and amounts of monthly compensation; those for the creditors, with names, addresses, occupations and telephone numbers.

The items of the cash summary were the first to be posted, the total receipts to the debit of the cash summary account and the total payments to the credit. The items making up the total receipts—pew rentals, offertories, etc.—were then transferred to the credit of their respective accounts and the items resulting in the total payments—salaries and other expenses—to the debit of their several accounts, all on the white cards.

The personal items on the cheque book—Martha Martin, et al.—were credited on the pink cards with amounts of cheques received; the Rev. Arthur Andrews, et al., debited on the blue cards with the amounts of the cheques drawn to each; John Jones & Co. and the other creditors debited in like manner on the yellow cards.

The journal entries were then considered, each item being transferred, or posted, as set forth therein, debit to debit and credit to credit on the white or colored cards, as specified by notations in parentheses above.

The total amount of the creditors' credit items (as per journal) was transferred to the accounts payable account (white card), the debit posting having been already made from the cash summary. A controlling account was thus established. There was, of course, always a credit balance on this account as bills received during one month were not paid until the following, or later, perhaps, according to circumstances. Similarly, salaries earned in the one month were paid in that succeeding.

All postings having been made, a trial balance was taken off from the general ledger (white) set, from which a statement of income and expenditures could readily be prepared.

The list of balances in the subsidiary creditors' ledger (yellow) set was in agreement with the controlling accounts-payable account in the white set and the list from the blue cards in accord with the salaries as classified on the white cards. The pink cards simply showed debit and credit items of similar amounts, but any irregularity was at once apparent.

Occasionally—funds being low and current expenses to be provided for—the discounting of a note, sanctioned by the vestry, made to the order of "ourselves," was negotiated with the bank. There seemed to be little trouble about this proceeding, as at Eastertide or Christmastide large plate collections were expected.

This transaction was recorded by an entry on the debit, or left hand, side of the cheque book, thus—"Note payable to bank

\$....." (indented) less "Discount \$.....," extended \$..... The face value of the note was posted to the credit of "notes payable" on a white card and the item of "discount," also on a white card, to the debit of "discount on note" or "interest and discount." When the thirty-day or sixty-day note was paid (not necessarily by cheque but appearing as a deduction on the bank statement) an entry was made on the stub or credit side of cheque book, this being posted to the debit of "notes payable" and the balance of this account was effected. The expense of the negotiation "discount" remained until the annual closing of the records.

Apparently, little interest was shown in the asset valuations, as no cards for these were in evidence. All the attention seemed to be directed toward the subject of income and expenditures. In order, therefore, to make the records as complete as possible, I secured and made a list of all the active insurance policies with particulars as to amounts, premiums, dates of expiration, etc., and gathered from this some idea of the values of the properties owned, supplied the necessary cards and was enabled to draft a pro-forma balance-sheet. At a later period—the merger with another church being contemplated—a professional appraisal of all properties was made and the values were adjusted accordingly. The tabulated statement of insurance data also showed the amount of premiums unexpired and the proportionate part to be written off each month thereafter.

Additional journal entries were then necessary: one, a charge to insurance (as per memorandum) and a credit to unexpired (or prepaid) insurance; another, providing for the annual diocesan assessment—monthly approximation made from previous assessments—by a charge to assessments and a credit to reserve for assessments. The amounts were posted to these accounts on the white cards.

Particulars of the endowment-fund securities were also noted and scheduled, in order that a continuous check could be made of those investments maturing and paid off and the subsequent reinvestment of the proceeds. Hitherto, this matter had received little attention. This proceeding was deemed advisable for another reason. So important an asset must be shown on the balance-sheet; moreover, the treasurer ought to be thoroughly acquainted with every detail relative to his official capacity.



## *System of Accounting for a Church*

The pledges being kept only on memorandum, any unfulfilled at the end of the year were considered as a loss and the names of the pledgers dropped from the list. If, by chance, arrears were paid, the amounts were entered on the debit side of the cheque book under "miscellaneous income" and posted on a white card with this caption.

All adjustments having been made and the trial balance in order, statements were prepared somewhat as follows:

### Pro-forma balance-sheet—January 1, 1929

<i>Assets</i>	
Land.....	(nominal value) \$
Church building.....	(value approximated)
Rectory.....	( " " )
Parish house.....	( " " )
Altar furnishings.....	( " " )
Nave and other furnishings.....	( " " )
Music library.....	( " " )
Unexpired insurance premiums.....	
Investments—endowment fund—as per schedule No. —.....	
Cash in bank.....	
Total assets.....	\$
<i>Liabilities and net worth</i>	
Accounts payable—creditors—as per schedule No. —.....	\$
Salaries due and unpaid— " " " " —.....	
Reserve for assessments.....	
Total liabilities.....	\$
Net worth.....	
Total liabilities and net worth.....	\$

Supporting schedules followed.

### Statement of income and expenditures for the year ended December 31, 1928

<i>Income</i>	
Pew rentals.....	\$
Plate collections:	
Morning services.....	\$
Evening services.....	
Missions.....	
Benevolences.....	

# *The Journal of Accountancy*

Donations—as per schedule No. — . . . . .	\$
Endowment fund . . . . .	
Miscellaneous . . . . .	
	<hr/>
Total income . . . . .	\$
Balance in bank, first of year . . . . .	
	<hr/>
	\$
	<hr/> <hr/>

## *Expenditures*

Salaries:	
Clergy . . . . .	\$
Sexton . . . . .	
Organist and choirmaster . . . . .	
Soloists . . . . .	
Chorusmen . . . . .	
Choristers . . . . .	
	<hr/>
	\$
Expenses:	
Maintenance and repairs . . . . .	
Lighting and heating . . . . .	
Printing, stationery and postage . . . . .	
Telephone . . . . .	
. . . . .	
. . . . .	
Insurance . . . . .	
Assessments . . . . .	
Missions . . . . .	
Benevolences . . . . .	
Incidentals . . . . .	
	<hr/>
Total expenditures . . . . .	\$
Balance in bank, end of year . . . . .	
	<hr/>
	\$
	<hr/> <hr/>

It is possible that a few details have been overlooked, but these would be unimportant. The purport of this article is to present a method of recording transactions in a manner which will enable a treasurer or other custodian of church funds to render a suitable statement to his vestry without fear of undue criticism or reproach.

I have learned from experience that the duties of the treasurer of a church, such as I have attempted to describe, are quite onerous. Usually, the office is accepted reluctantly and often the treasurer is too much occupied with his own business and

## *System of Accounting for a Church*

personal affairs to devote the time and attention necessary to the proper keeping of the church records, unless he has a capable assistant, and that is not always desirable. The transactions with the bank must, of course, be done during the day, but most of the work must be attended to after his business day is over—correspondence, rendering bills to pewholders, preparing bank deposits, scrutinizing the creditors' bills and most important of all, the careful recording of all cash transactions in the cheque book. All these demand time and application, not to mention the transferring, or posting, of items to the ledger cards. This, in itself, is an arduous task but were it not for the existence and proper keeping of the cards, the auditor would be obliged to make an exhaustive analysis of all transactions for the year, or other period, under review.

A few samples of the cards (4" x 6"), after "closing" and "ruling off," are submitted herewith:

### *White* CASH SUMMARY

1928	Forward.....	\$	1928	Forward.....	\$
Oct. 31	Receipts.....	✓	Oct. 31	Disbursements....	✓
Nov. 30	".....	✓	Nov. 30	".....	✓
Dec. 31	".....	✓	Dec. 31	".....	✓
			"	Bal. down.....	
		\$			\$
1929					
Jan. 1	Balance.....	\$			

### ACCOUNTS PAYABLE

1928			1928	Bal. forward.....	\$
Oct. 31	Cash.....	✓ \$	Oct. 31	Sundries.....J. <sub>10</sub>	
Nov. 30	".....	✓	Nov. 30	".....J. <sub>11</sub>	
Dec. 31	".....	✓	Dec. 31	".....J. <sub>12</sub>	
"	Bal. down.....				
		\$			\$
1929					
Jan. 1	Balance.....	\$			

# The Journal of Accountancy

## SALARIES—CLERGY

1928		1928	
Nov. 10	Cash..... ✓ \$	Oct. 31	Bal. forward..... \$
Dec. 10	" ..... ✓	Oct. 31	Month of Oct.... J. <sub>10</sub>
31	Bal. down.....	Nov. 30	" " Nov.... J. <sub>11</sub>
		Dec. 31	" " Dec.... J. <sub>12</sub>
	\$		\$
		1929	
		Jan. 1	Balance..... \$

## MAINTENANCE AND REPAIRS

1928		1928	
	Forward..... \$	Dec. 31	Inc. and Exp. acct. J. <sub>12</sub> \$
Oct. 31	Sundries..... J. <sub>10</sub>		
Nov. 30	" ..... J. <sub>11</sub>		
Dec. 31	" ..... J. <sub>12</sub>		
	\$		\$

Martha Martin  
123 Myrtle Ave.,

*Pink*

Pew No.....  
\$..... per month

1928		1928	
Oct. 1	Month of Oct.... J. <sub>10</sub> \$	Oct. 12	Cash..... ✓ \$
Nov. 1	" " Nov.... J. <sub>11</sub>	Nov. 10	" ..... ✓
Dec. 1	" " Dec.... J. <sub>12</sub>	Dec. 11	" ..... ✓
	\$		\$

Rev. Arthur Andrews  
The Rectory, 1 W. 1st. St.

*Blue*

\$..... per annum  
(payable monthly)

1928		1928	
	Forward..... \$		Forward..... \$
Nov. 15	Cash..... ✓	Oct. 31	Salary
Dec. 15	" ..... ✓	Oct. 31	Month of Oct.... J. <sub>10</sub>
31	Bal. down.....	Nov. 30	" " Nov.... J. <sub>11</sub>
	\$	Dec. 31	" " Dec.... J. <sub>12</sub>
			\$
		1929	
		Jan. 1	Balance..... \$

# *System of Accounting for a Church*

Maud Morris, 321 Tulip Ave., City			Soprano Soloist \$..... per month		
1928	Forward.....	\$	1928	Forward.....	\$
				Salary	
Nov. 15	Cash.....	✓	Oct. 31	Month of Oct....	J. <sub>10</sub>
Dec. 15	" .....		Nov. 30	" " Nov....	J. <sub>11</sub>
31	Bal. down.....		Dec. 31	" " Dec....	J. <sub>12</sub>
		\$			\$
			1929		
			Jan. 1	Balance.....	\$

*Yellow*

John Jones & Co., Painters and Decorators 15-50th St., City			Phone, Dec. 0505		
1928	Forward.....	\$	1928	Forward.....	\$
Nov. 20	Cash.....	✓	Oct. 31	Bill of 10/15/28....	J. <sub>10</sub>
Dec. 20	" .....	✓	Nov. 30	" " 11/15/28....	J. <sub>11</sub>
31	Bal. down.....		Dec. 31	" " 12/15/28....	J. <sub>12</sub>
		\$			\$
			1929		
			Jan. 1	Balance.....	\$